



Q3 FY2024 Earnings Call

GAAP to non-GAAP Reconciliations

August 15, 2024



APPLIED MATERIALS, INC.
UNAUDITED RECONCILIATION OF GAAP TO NON-GAAP RESULTS

<i>(In millions, except percentages)</i>	Three Months Ended		Nine Months Ended	
	July 28, 2024	July 30, 2023	July 28, 2024	July 30, 2023
Non-GAAP Gross Profit				
GAAP reported gross profit	\$ 3,205	\$ 2,976	\$ 9,562	\$ 9,215
Certain items associated with acquisitions ¹	6	7	20	21
Non-GAAP gross profit	<u>\$ 3,211</u>	<u>\$ 2,983</u>	<u>\$ 9,582</u>	<u>\$ 9,236</u>
Non-GAAP gross margin	47.4 %	46.4 %	47.6 %	46.7 %
Non-GAAP Operating Income				
GAAP reported operating income	\$ 1,942	\$ 1,802	\$ 5,821	\$ 5,683
Certain items associated with acquisitions ¹	10	10	31	32
Acquisition integration and deal costs	1	6	9	20
Non-GAAP operating income	<u>\$ 1,953</u>	<u>\$ 1,818</u>	<u>\$ 5,861</u>	<u>\$ 5,735</u>
Non-GAAP operating margin	28.8 %	28.3 %	29.1 %	29.0 %
Non-GAAP Net Income				
GAAP reported net income	\$ 1,705	\$ 1,560	\$ 5,446	\$ 4,852
Certain items associated with acquisitions ¹	10	10	31	32
Acquisition integration and deal costs	1	6	9	20
Realized loss (gain), dividends and impairments on strategic investments, net	16	(4)	12	109
Unrealized loss (gain) on strategic investments, net	25	6	(275)	13
Income tax effect of share-based compensation ²	8	5	(7)	(6)
Income tax effects related to intra-entity intangible asset transfers	17	9	57	25
Resolution of prior years' income tax filings and other tax items	(11)	10	22	(22)
Income tax effect of non-GAAP adjustments ³	(4)	(2)	(2)	(7)
Non-GAAP net income	<u>\$ 1,767</u>	<u>\$ 1,600</u>	<u>\$ 5,293</u>	<u>\$ 5,016</u>

- 1 These items are incremental charges attributable to completed acquisitions, consisting of amortization of purchased intangible assets.
- 2 GAAP basis tax benefit related to share-based compensation is recognized ratably over the fiscal year on a non-GAAP basis.
- 3 Adjustment to provision for income taxes related to non-GAAP adjustments reflected in income before income taxes.

APPLIED MATERIALS, INC.
UNAUDITED RECONCILIATION OF GAAP TO NON-GAAP RESULTS

	Three Months Ended		Nine Months Ended	
	July 28, 2024	July 30, 2023	July 28, 2024	July 30, 2023
<i>(In millions, except per share amounts)</i>				
Non-GAAP Earnings Per Diluted Share				
GAAP reported earnings per diluted share	\$ 2.05	\$ 1.85	\$ 6.52	\$ 5.73
Certain items associated with acquisitions	0.01	0.01	0.04	0.04
Acquisition integration and deal costs	—	0.01	0.01	0.02
Realized loss (gain), dividends and impairments on strategic investments, net	0.01	—	0.01	0.13
Unrealized loss (gain) on strategic investments, net	0.03	—	(0.33)	0.01
Income tax effect of share-based compensation	0.01	0.01	(0.01)	(0.01)
Income tax effects related to intra-entity intangible asset transfers	0.02	0.01	0.07	0.03
Resolution of prior years' income tax filings and other tax items	(0.01)	0.01	0.03	(0.02)
Non-GAAP earnings per diluted share	<u>\$ 2.12</u>	<u>\$ 1.90</u>	<u>\$ 6.34</u>	<u>\$ 5.93</u>
Weighted average number of diluted shares	<u>833</u>	<u>843</u>	<u>835</u>	<u>846</u>

APPLIED MATERIALS, INC.
UNAUDITED RECONCILIATION OF GAAP TO NON-GAAP
SEGMENT RESULTS

(In millions, except percentages)

	Three Months Ended		Nine Months Ended	
	July 28, 2024	July 30, 2023	July 28, 2024	July 30, 2023
<u>Semiconductor Systems Non-GAAP Operating Income</u>				
GAAP reported operating income	\$ 1,712	\$ 1,568	\$ 5,157	\$ 5,138
Certain items associated with acquisitions ¹	10	10	30	29
Non-GAAP operating income	<u>\$ 1,722</u>	<u>\$ 1,578</u>	<u>\$ 5,187</u>	<u>\$ 5,167</u>
Non-GAAP operating margin	35.0 %	33.7 %	35.2 %	34.9 %

(In millions, except percentages)

	Three Months Ended		Nine Months Ended	
	July 28, 2024	July 30, 2023	July 28, 2024	July 30, 2023
<u>Applied Global Services Non-GAAP Operating Income</u>				
GAAP reported operating income	\$ 467	\$ 399	\$ 1,320	\$ 1,128
Non-GAAP operating income	<u>\$ 467</u>	<u>\$ 399</u>	<u>\$ 1,320</u>	<u>\$ 1,128</u>
Non-GAAP operating margin	29.6 %	27.3 %	28.8 %	26.5 %

(In millions, except percentages)

	Three Months Ended		Nine Months Ended	
	July 28, 2024	July 30, 2023	July 28, 2024	July 30, 2023
<u>Display and Adjacent Markets Non-GAAP Operating Income</u>				
GAAP reported operating income	\$ 16	\$ 32	\$ 46	\$ 51
Non-GAAP operating income	<u>\$ 16</u>	<u>\$ 32</u>	<u>\$ 46</u>	<u>\$ 51</u>
Non-GAAP operating margin	6.4 %	13.6 %	6.8 %	8.9 %

¹ These items are incremental charges attributable to completed acquisitions, consisting of amortization of purchased intangible assets.

Note: Effective in the first quarter of fiscal 2024, management began including share-based compensation expense in the evaluation of reportable segments' performance. Prior year numbers have been recast to conform to the current year presentation.

The reconciliation of GAAP and non-GAAP segment results above does not include certain revenues, costs of products sold and operating expenses that are reported within corporate and other and included in consolidated operating income.

APPLIED MATERIALS, INC.
UNAUDITED RECONCILIATION OF GAAP TO NON-GAAP OPERATING EXPENSES

<i>(In millions)</i>	Three Months Ended		Nine Months Ended	
	July 28, 2024	July 30, 2023	July 28, 2024	July 30, 2023
GAAP reported operating expenses	\$ 1,263	\$ 1,174	\$ 3,741	\$ 3,532
Certain items associated with acquisitions	(4)	(3)	(11)	(11)
Acquisition integration and deal costs	(1)	(6)	(9)	(20)
Non-GAAP operating expenses	\$ 1,258	\$ 1,165	\$ 3,721	\$ 3,501

APPLIED MATERIALS, INC.
UNAUDITED RECONCILIATION OF GAAP TO NON-GAAP
EFFECTIVE INCOME TAX RATE

<i>(In millions)</i>	Three Months Ended	
	July 28, 2024	July 30, 2023
GAAP provision for income taxes (a)	\$ 255	\$ 246
Income tax effect of share-based compensation	(8)	(5)
Income tax effect related to intra-entity intangible asset transfers	(17)	(9)
Resolution of prior years' income tax filings and other tax items	11	(10)
Income tax effect of non-GAAP adjustments	4	2
Non-GAAP provision for income taxes (b)	\$ 245	\$ 224

<i>(In millions, except percentages)</i>	Three Months Ended	
	July 28, 2024	July 30, 2023
GAAP income (loss) before income taxes (c)	\$ 1,960	\$ 1,806
Certain items associated with acquisitions	10	10
Acquisition integration and deal costs	1	6
Realized loss (gain), dividends and impairments on strategic investments, net	16	(4)
Unrealized loss (gain) on strategic investments, net	25	6
Non-GAAP income before income taxes (d)	\$ 2,012	\$ 1,824
GAAP effective income tax rate (a/c)	13.0 %	13.6 %
Non-GAAP effective income tax rate (b/d)	12.2 %	12.3 %

APPLIED MATERIALS, INC.
UNAUDITED RECONCILIATION OF NON-GAAP FREE CASH FLOW

<i>(In millions)</i>	Three Months Ended				
	July 28, 2024	April 28, 2024	January 28, 2024	October 29, 2023	July 30, 2023
Non-GAAP Free Cash Flow¹					
Cash provided by operating activities	\$ 2,385	\$ 1,392	\$ 2,325	\$ 1,555	\$ 2,583
Capital expenditures	(297)	(257)	(229)	(309)	(255)
Non-GAAP free cash flow	<u>\$ 2,088</u>	<u>\$ 1,135</u>	<u>\$ 2,096</u>	<u>\$ 1,246</u>	<u>\$ 2,328</u>

<i>(In millions)</i>	Twelve Months Ended				
	October 29, 2023	October 30, 2022	October 31, 2021	October 25, 2020	October 27, 2019
Non-GAAP Free Cash Flow¹					
Cash provided by operating activities	\$ 8,700	\$ 5,399	\$ 5,442	\$ 3,804	\$ 3,247
Capital expenditures	(1,106)	(787)	(668)	(422)	(441)
Non-GAAP free cash flow	<u>\$ 7,594</u>	<u>\$ 4,612</u>	<u>\$ 4,774</u>	<u>\$ 3,382</u>	<u>\$ 2,806</u>

<i>(In millions)</i>	Twelve Months Ended				
	October 28, 2018	October 29, 2017	October 30, 2016	October 25, 2015	October 26, 2014
Non-GAAP Free Cash Flow¹					
Cash provided by operating activities	\$ 3,787	\$ 3,789	\$ 2,566	\$ 1,163	\$ 1,800
Capital expenditures	(622)	(345)	(253)	(215)	(241)
Non-GAAP free cash flow	<u>\$ 3,165</u>	<u>\$ 3,444</u>	<u>\$ 2,313</u>	<u>\$ 948</u>	<u>\$ 1,559</u>

¹ Free cash flow is a non-GAAP measure and is defined as net cash provided by operating activities less capital expenditures.

APPLIED MATERIALS, INC.
RECONCILIATION INFORMATION FOR BUSINESS OUTLOOK

Non-GAAP outlook for the fourth quarter of fiscal 2024 excludes known charges related to completed acquisitions of approximately \$10 million, or \$0.01 per share, includes the normalized tax benefit of share-based compensation of approximately \$7 million, or \$0.01 per share, and includes a net income tax benefit related to intra-entity intangible asset transfers of \$19 million, or \$0.02 per share, but does not reflect any items that are unknown at this time, such as any additional charges related to acquisitions or other non-operational or unusual items, as well as other tax related items, which we are not able to predict without unreasonable efforts due to their inherent uncertainty.